Scientific and Technical Advisory Panel

The Scientific and Technical Advisory Panel, administered by UNEP, advises the Global Environment Facility
(Version 5)

STAP Scientific and Technical screening of the Project Identification Form (PIF)

Date of screening: October 17, 2012 Screener: Lev Neretin

Panel member validation by: Nijavalli H. Ravindranath
Consultant(s):

I. PIF Information *(Copied from the PIF)*
FULL SIZE PROJECT GEF TRUST FUND
GEF PROJECT ID: 4902
PROJECT DURATION : 3.5
COUNTRIES : Macedonia
PROJECT TITLE: Catalyzing Market Transformation for Industrial Energy Efficiency and Accelerate Investments in Best Available Practices and Technologies in the Former Yugoslav Republic of Macedonia
GEF AGENCIES: UNIDO
OTHER EXECUTING PARTNERS: Ministry of Environment and Physical Planning, Ministry of Economy, Energy Agency of the Republic of Macedonia
GEF FOCAL AREA: Climate Change

II. STAP Advisory Response *(see table below for explanation)*

Based on this PIF screening, STAP's advisory response to the GEF Secretariat and GEF Agency(ies): **Consent**

III. Further guidance from STAP

The project aims to catalyze market transformation for industrial energy efficiency and accelerate investments in best available practices and technologies in Macedonia. STAP acknowledges that the project proponents conducted a good analysis of the project baseline and incremental cost reasoning. The following issues are suggested to be considered during project preparation:

1. The PIF lists the final energy consumption in different industrial sectors. The dominant sectors are iron and steel and non â€“ metallic minerals. It is not clear which of the industries will be targeted in the proposed project. There is a need to provide a rationale for selecting industries and technologies;

2. The PIF states best available IEE practices and technologies will be promoted. STAP recommends developing criteria for selecting the best available technologies based on their cost-effectiveness, efficiency, mitigation potential, and other related factors (project components 2 and 3);

3. The PIF lists typical components and activities, which are common for "9 out of 10" energy efficiency projects submitted for GEF support. Project proponents are advised to systematically analyze specific barriers to promotion of IEE in Macedonia and provide sufficiently detailed justification for each activity in the project, addressing those nationally-specific barriers.

4. In addition, the PIF states that both the supply and demand sides of energy efficiency services will be promoted. The importance and role of demand and supply side energy efficiency options need to be considered for prioritizing interventions.

5. Output 3.1 states three-four energy efficiency lighthouse projects will be implemented in energy intensive industrial sectors. It is necessary to identify which industrial sectors and which technologies will be implemented based on a scientific rationale. The PIF is silent on what approach will be selected for investments in IEE (component 3). STAP suggests adoption of a systems approach to improve energy efficiency for the selected industries rather than focusing on components.

6. STAP recommends conducting a thorough cost-benefit analysis of the proposed interventions. The projects aims at market transformation however it is silent on the cost implications of proposed policies and investments. Without this information, sustainability of project activities in the long-term is questionable.

7. While the PIF lists some baseline activities and legal frameworks available to support IEE, it seems that the issue is not recognized explicitly in these national strategies and plans. Project proponents are advised to consider a range of recommendations at the national level to the existing laws and regulations that would elevate IEE profile among other EE measures and provide sufficient incentives for industrial enterprises to promote energy efficiency and conservation aggressively.

STAP advisory response	*Brief explanation of advisory response and action proposed*
1. Consent	STAP acknowledges that on scientific or technical grounds the concept has merit. However, STAP may state its views on the concept emphasizing any issues where the project could be improved. Follow up: The GEF Agency is invited to approach STAP for advice during the development of the project prior to submission of the final document for CEO endorsement.
2. Minor revision required.	STAP has identified specific scientific or technical challenges, omissions or opportunities that should be addressed by the project proponents during project development. Follow up: One or more options are open to STAP and the GEF Agency: (i) GEF Agency should discuss the issues with STAP to clarify them and possible solutions. (ii) In its request for CEO endorsement, the GEF Agency will report on actions taken in response to STAP's recommended actions.
3. Major revision required	STAP has identified significant scientific or technical challenges or omissions in the PIF and recommends significant improvements to project design. Follow-up: (i) The Agency should request that the project undergo a STAP review prior to CEO endorsement, at a point in time when the particular scientific or technical issue is sufficiently developed to be reviewed, or as agreed between the Agency and STAP. (ii) In its request for CEO endorsement, the Agency will report on actions taken in response to STAP concerns.